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93-253

FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D.C. 20554

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May 12, 1994

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IN REPLY REFER TO:

JUN 17 1994

Honorable Mitch McConnell  
United States Senate  
120 Russell Senate Office Building  
Washington, D.C. 20510

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

Dear Senator McConnell:

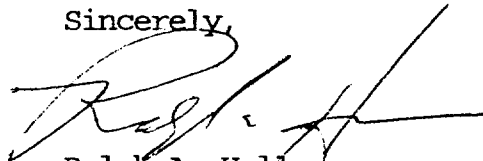
This is in reply to your letter of February 28, 1994, on behalf of your constituent Mr. Darrell L. Maynard, President of Eastern Telephone. Mr. Maynard is concerned about the opportunity of small businesses to participate in the personal communications services (PCS) under the provisions of the recently enacted Omnibus Budget Reconciliation Act of 1993 (OBRA). Mr. Maynard indicated his support of a number of proposals set forth in the Commission's Notice of Proposed Rule Making, PP Docket No. 93-253, adopted by the Commission September 23, 1993. Your letter was referred to me as Chief of the Personal Communications Systems Task Force for the Commission.

On March 8, 1994, the Commission adopted a Second Report and Order in Docket No. 93-253. That proceeding established a general menu of tools designed to assist those entities, including small businesses, identified by Congress as requiring special consideration by the Commission (the "designated entities"). I am pleased to note that the Commission has adopted several of the proposals advocated by Mr. Maynard.

The Commission, for example, adopted bidding credits and installment payments for use by designated entities, both of which were supported by Mr. Maynard. The Commission also stretched out its down payment requirements for small businesses, again consistent with Mr. Maynard's comments.

We are confident that the measures we have adopted will help enable small businesses to provide personal communications services to their customers. We also share your commitment to the provision of equal and universal access of communications services to all Americans no matter where they live.

Sincerely,



Ralph A. Haller  
Chief, PCS Task Force

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MITCH McCONNELL  
KENTUCKY

## United States Senate

WASHINGTON, DC 20510-1702  
(202) 224-2541

COMMITTEES:  
AGRICULTURE  
APPROPRIATIONS  
RULES  
ETHICS (VICE CHAIRMAN)

*Opp  
Auction  
1/05*

February 28, 1994

The Honorable Reed Hundt  
Chairman  
Federal Communications Commission  
1919 M Street  
Washington, D.C. 20554


Dear Chairman Hundt:

Several constituents have shared with me their interest in the Federal Communications Commission's (FCC) rulemaking on radio spectrum licensing for Personal Communications Services (PCS).

For your reference, I have enclosed a copy of the correspondence I have received on this issue. I would greatly appreciate your review of these concerns, and response on the FCC's actions to include small businesses in the competitive bidding process.

Thank you very much for your consideration, and I look forward to your reply.

Sincerely,

  
MITCH McCONNELL  
UNITED STATES SENATOR

MM/rjb

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# Eastern Telephone

February 7, 1994

Honorable Mitch McConnell  
Suite 120  
Russell Senate Bldg.  
Washington, DC 20510

Dear Sir,

We need your support in urging FCC to implement legislation providing the Commission with authority to utilize competitive bidding in awarding licenses for the use of radio spectrum; including those licenses to be issued for new Personal Communications Services (PCS).

Pursuant to this legislation, the FCC has initiated a rulemaking proceeding, PP Docket No. 93-253, in which the FCC proposes to reserve two spectrum blocks for bidding exclusively by small businesses. Both are essential to small businesses.

Small businesses are a crucial part of our nation's economy and play a significant roll in promoting job growth. As such, promoting participation in small businesses in growth industries such as PCS must be a national priority. Small businesses have an inherent disadvantage in the auctioning process when competing against well-heeled billion dollar corporations who were once small themselves, and welcomed all the help they could get. It is important to give small businesses a level playing field. Legislation providing for the FCC's auction authority mandates the rules adopted under this authority must promote economic opportunity for small business, prevent undue concentration in the PCS market, and encourage investment and job creation by small businesses.

I agree with the Commission that small business participation in this industry could be effectively encouraged by the following proposals:

1) The most equitable way to sell PCS licenses is through the open auction process as opposed to sealed bid. Sealed bids create inflated speculative bids effectively pricing the small business owner out of the market. An open auction will promote a more realistic value of the license, thereby assuring that a reputable firm will develop the technology instead of holding the license and letting technology lapse for lack of development funding.

2) Urging you to counsel the FCC about combinatory bidding where mega-companies can bid two (2) or more of these areas as a package and pay less per BTA than a smaller company bidding for one BTA.

3) By providing for a separate auction composed only of small businesses and other designated entities for two licenses (channel blocks c and d) in each service area;


4) By adopting the Commission's proposed installment payment plans for qualifying small businesses. Payment should be concentrated toward the end of the payment period to give small businesses a chance to get started. Any interest on the principal of the auction bid should be assessed at a rate no higher than the government's cost of money. These terms should not be limited to the entities bidding on blocks C and D but should be available to small businesses and other designated entities when they bid on any spectrum block.

5) By allowing small businesses to make smaller down payments than other entities. This ensures that participation by small businesses is limited to those committed to construction and operation of communications systems while not excluding small businesses who may not have large sums of cash readily available. The down payment should be refundable.

6) By preventing any one class of license to be given an advantage over another within a particular geographic area. While we take no position on the Commission's decision to utilize Major Trading Areas and Basic Trading Areas to license PCS, it is clear that small businesses do not have the financial resources to construct MTA-sized PCS systems. The Commission should ensure that MTA licenses are not given a competitive advantage over the BTA licenses by virtue of the fact that those licenses are auctioned first.

I believe that deficit reduction and sound public policy are mutually compatible goals. Inclusion of the principals articulated above in the FCC's rules would effectively serve Congressional legislative intent to facilitate participation by small businesses in communications service licensed by auctions. I look forward to your support in helping to ensure the successful development of a competitive Personal Communications Services industry.

Sincerely,

  
Darrell L. Maynard, President